July 2026 Market Update:
The Rearview & the Road Ahead

Demand Levels & Outlook

A record upcycle carried by AI, driven by supply

AI HARDWARE IS NOW DRIVING U.S. IMPORT GROWTH

May 2026 brought the largest U.S. trade deficit in some time, and what's inside it matters for freight: the hardware that powers AI computing is now the dominant source of U.S. import growth, while big consumer categories shrink.

WHICH IMPORTS ARE GROWING, AND WHICH ARE FADING

- **Large computers** — the leading gainer
- **Computer parts (GPUs)** — rising sharply
- **Memory** — rising sharply
- **Motor vehicles** — declining
- **Pharmaceuticals** — declining
- **GLP-1 drug imports** posted the single largest decline of any product — consumer-side freight is flat

WHOLESALE SALES CONFIRM THE AI FREIGHT STORY

It's not just imports. Electrical-goods wholesale sales ran **55% above their 2023 average (+26.3% YoY)** in May, and machinery set a record on data-center construction and power-generation buying.

WALL STREET: STRONG RECOVERY, EXPENSIVE STOCKS

Morgan Stanley now treats its bull case as its base case, calling this the strongest trucking upcycle on record, but cut the sector to In-Line: a ~50% stock rally has already priced in the easy gains (ODFL, JBHT and LSTR downgraded).

WHAT ANALYSTS EXPECT FROM Q2 EARNINGS

+15%	5%	+50%
Median LTL EPS growth forecast (Deutsche Bank)	LTL forecasts above consensus	Sector stock rally since late 2025

Deutsche Bank forecasts "mainly beats," led by LTL carriers: tonnage turned positive in May after six months of manufacturing growth, and big LTLs keep winning mid-single-digit contract rate increases.

MORE TRUCKS LEFT — FREIGHT DIDN'T GROW

FTR's Trucking Conditions Index, a composite of the forces that drive carrier profitability, hit **20.4** in May, its best reading ever. The caveat: strength comes from capacity exiting, not more freight.

"Robust market conditions developed recently and rapidly after several years of tepid rates," FTR says, and they will hit a ceiling unless real freight demand shows up.

THE ECONOMIC BACKDROP, AND WHAT COULD DISRUPT IT

Growth: the IMF sees just 3.0% global / 2.3% U.S. growth in 2026, enough to keep freight flat, not falling

Volumes: ATA truck tonnage fell 2.0% in May, a second straight monthly decline

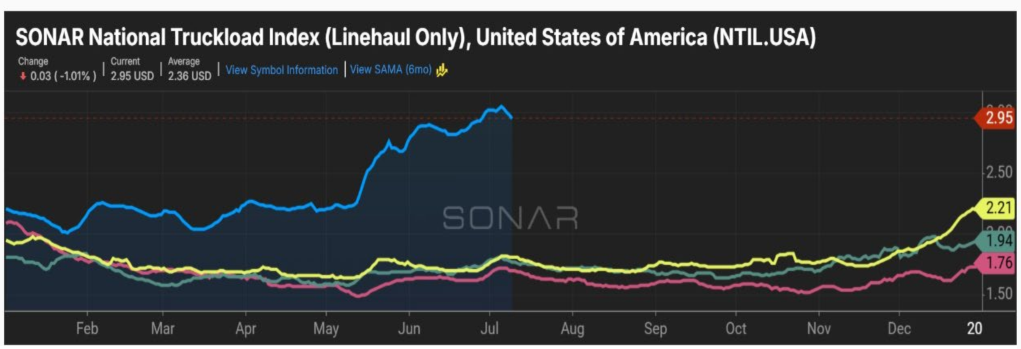
Oil: Brent jumped 8% to $80.09 after the Hormuz ceasefire collapsed, above $80, fuel surcharges reset faster than most budget cycles

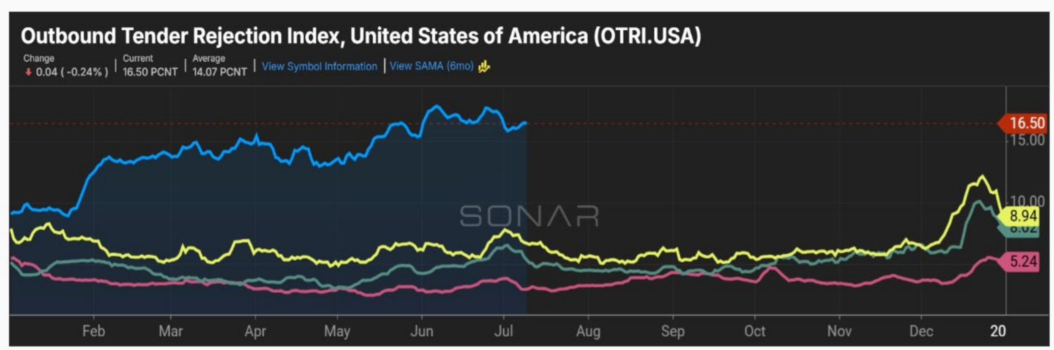
3PL shakeup: FedEx is selling its supply-chain unit to CMA CGM, confirm which service agreements carry over

TRADE SHIFTS THAT WILL MOVE FREIGHT

Exports: China just bought 472,000 metric tons of U.S. soybeans, the largest single purchase since November and a tailwind for bulk and ag hauling.

Nearshoring: Toyota is shifting production toward U.S. plants, a warning sign for cross-border automotive supply chains built around Mexico.



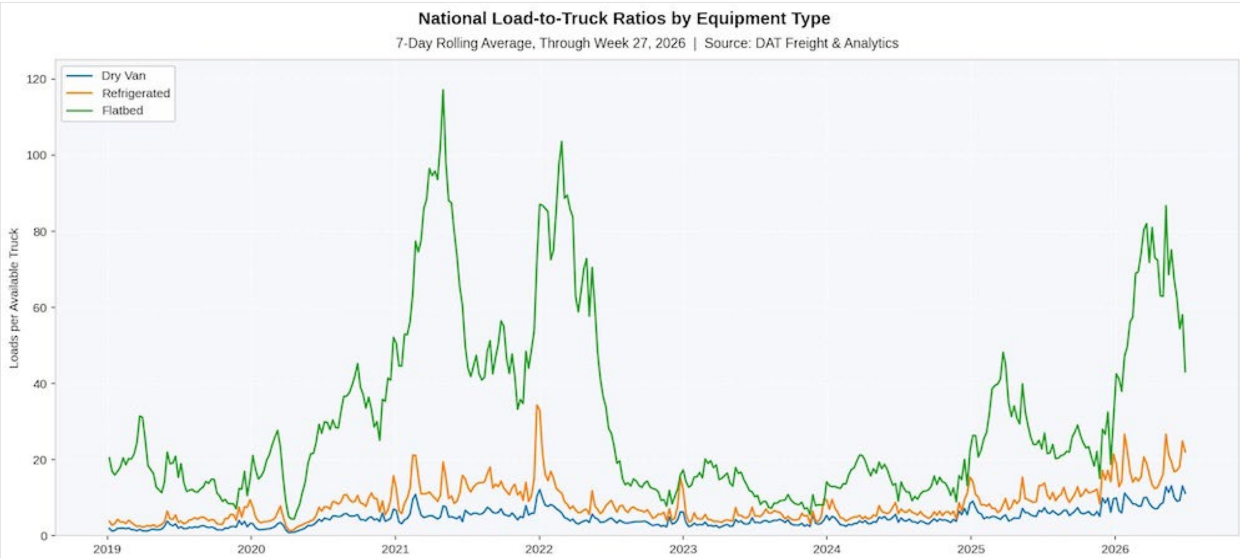


Source: Freightwaves

Supply, Capacity & Carrier Operating Costs

Capacity exits and cost inflation are tightening the market

VAN & REEFER LOAD-TO-TRUCK RATIO — reefer settled at 22.06 (–9%), still tightening vs. last year



Source: DAT

TRUCKS ARE LEAVING THE MARKET — POLICY IS WHY

The driver pool is shrinking under Washington policy, restrictions on non-domiciled CDLs, tougher qualification standards and stepped-up immigration enforcement. That exit, not a freight boom, is what's tightening trucking.

THE NUMBERS THAT SHOW THE SQUEEZE

- 20.4 FTR's Trucking Conditions Index, its best reading ever (May)
- –20% flatbed equipment available on the spot market vs. last year
- +35% van loads posted vs. last year, with rejections of contracted loads well above 2023–25
- 22.06 reefer loads competing for every available truck

WHAT THIS MEANS FOR SHIPPERS

Rate recovery is not profit recovery. Carriers are earning more per load but less per mile, expect them to quietly drop unprofitable lanes. Ask your carriers for lane-level economics, not just rate quotes.

DIESEL IS THE NEXT COST PRESSURE POINT

$130–150/bbl	92.4%	212M bbl
Netbacks on refined products at record 3-2-1 crack spreads	YTD refinery utilization	Gasoline inventories (week of July 3)

Refined products, not crude, carry the inflation risk: refineries are already running near flat-out, and as they ease off into fall, expect diesel, and fuel surcharges, to firm.

INSURANCE COSTS ARE CRUSHING CARRIER PROFITS

+54.4% growth in insurance spend at the 10 largest U.S. carriers over five years ($992M ⟶ $1.53B)

–47% their combined profits over the same span ($4.2B ⟶ $2.2B); three now run at a loss

Premiums decoupled from every cost line, revenues grew 10% while insurance surged 54%.

WHY PREMIUMS KEEP RISING

- "Nuclear" jury verdicts and social inflation, the same accident costs far more to settle than a decade ago
- Healthcare, equipment-repair and litigation costs keep climbing
- **Reinsurance is repricing** as verdicts pierce fleets' self-insured layers
- **7 of 10 top carriers saw insurance outpace inflation;** one more than doubled

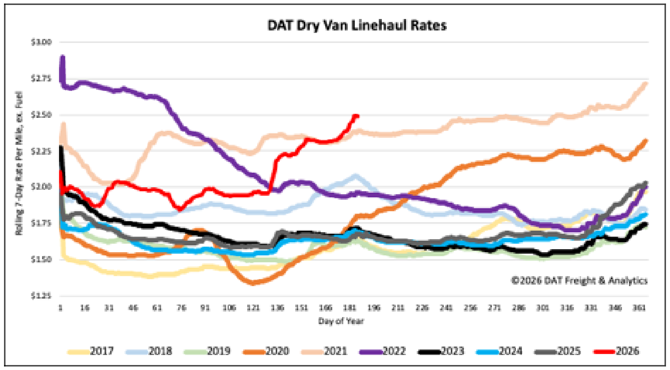
COULD WASHINGTON HELP?

Carriers can't absorb this forever and largely can't pass it to shippers. The FAIR Trucking Act, federal tort reform now on Capitol Hill, could give insurers the certainty to slow premium increases.

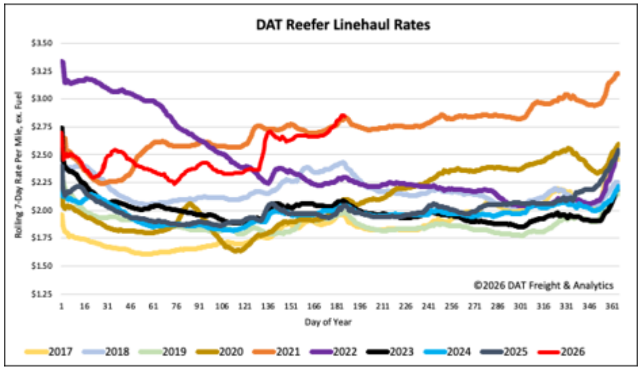
Contract & Spot Market Rate Trends

Spot passes contract for the first time in four years

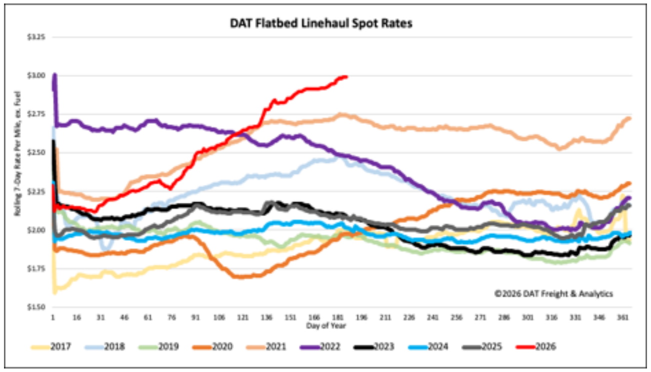
DRY VAN LINEHAUL — $2.49/mi, +$0.07 wk, +49% YoY



REEFER LINEHAUL — $2.85/mi, +$0.10, matches 2021 record



FLATBED LINEHAUL — $3.00/mi, +$0.03, all-time record



SPOT RATES SET ALL-TIME RECORDS GOING INTO JULY 4

Spot rates broke records across all three trailer types last week. Holiday freight, month- and quarter-end shipping and a shrinking pool of trucks lifted the national average to **$3.65/mi, up 49.8% from a year ago**.

RATES EXCLUDING FUEL LAST WEEK

- **$2.49** Van — up $0.07 for the week, +49% vs. last year
- **$2.85** Reefer — up $0.10, ties the 2021 record
- **$3.00** Flatbed — up $0.03, an all-time record

All three modes now sit roughly 28–31% above their normal five-year seasonal levels, this is not a routine summer bump.

WITH FUEL INCLUDED, BROKER RATES ALSO SET RECORDS

- **$3.10** Van — all-time high, topping the late-2021 peak
- **$3.71** Reefer — +7.1% in a week, the 4th-highest ever
- **$3.82** Flatbed — $0.03 off June's record, +51.3% vs. last year

Reefer's one-week jump was the largest late-June move on record, produce season and holiday demand hit at once.

Even after a holiday dip, the Truckstop/FTR Market Demand Index sits at **132.6, up 87.1% from a year ago**.

SPOT NOW COSTS MORE THAN CONTRACT, A 4-YEAR FIRST

In June the average van spot rate rose above the average contract rate for the first time since February 2022. Because freight volumes stayed flat, this says capacity is shrinking, and pricing power is moving back to carriers.

CONTRACT RATES IN JUNE (FUEL INCLUDED)

- **$2.89** Dry van — down $0.03 from May
- **$3.22** Reefer — down $0.06 from May
- **$3.05** Flatbed linehaul — up $0.15, bucking the trend

The declines are a fuel story, not a pricing story: cheaper diesel dragged down fuel surcharges even as the base rate rose for every mode, van +$0.07 to $2.26, reefer +$0.04 to $2.53, flatbed +$0.15 to $3.05.

HOW FAR SPOT HAS PULLED AHEAD

Reefer spot now runs **$0.17 above contract** ($0.07 in May) and van has closed its gap entirely. Flatbed is the only mode still cheaper on the spot market.

PRODUCE SEASON IS FINALLY MOVING REEFER RATES

- For the first time in years, the summer produce harvest is behaving like a true rate event:
- **+$0.50** per mile gained since mid-April, double the 10-year average produce-season move
- **$4.22** average in produce hubs (+$0.18 last week, $0.62 ahead of last year)
- **$3.23** across the 10 states that move 43% of the nation's reefer freight

WHERE REFRIGERATED TRUCKS ARE HARDEST TO FIND

- **Georgia** now carries the Southeast tomato and watermelon trade alone — Florida's season is over and rates remain under pressure
- **South Texas** flipped to a truck shortage as Mexican produce crossings absorb the overflow; Nogales is the only market loosening
- **California** citrus tightened as navel season closes; Washington tree-fruit country holds at a slight shortage